



SIGAR

Office of the Special Inspector General  
for Afghanistan Reconstruction

## Lessons Learned Record of Interview

|   |     |                                     |    |                                     |
|---|-----|-------------------------------------|----|-------------------------------------|
| <b>PROJECT NAME/ID</b>  |     |                                     |    |                                     |
| LL01 Strategy and Planning  |     |                                     |    |                                     |
| (b)(3), (b)(6), (b)(7)(C)   |     |                                     |    |                                     |
| LL-01   |     |                                     |    |                                     |
| <b>Date/Time:</b>   |     |                                     |    |                                     |
| April 24, 2015, 09:00am-10am  |     |                                     |    |                                     |
| <b>Location:</b>  |     |                                     |    |                                     |
| Washington, DC  |     |                                     |    |                                     |
| <b>Purpose:</b>   |     |                                     |    |                                     |
| To gain perspective on the nature and impact of US budgeting processes on Afghanistan reconstruction strategy and implementation  |     |                                     |    |                                     |
| <b>Present</b>  |     |                                     |    |                                     |
| Candace Rondeaux; Sonia Pinto   |     |                                     |    |                                     |
| <b>SIGAR Attendees:</b>   |     |                                     |    |                                     |
| N/A   |     |                                     |    |                                     |
| <b>Non-attribution Basis:</b>   | Yes | <input checked="" type="checkbox"/> |    | No                                  |
| <b>Recorded:</b>  | Yes |                                     | No | <input checked="" type="checkbox"/> |
| <b>Recording File Record Number:</b>  |     |                                     |    |                                     |
|   |     |                                     |    |                                     |
| <b>Prepared By: (Name, title and date)</b>  |     |                                     |    |                                     |
| Candace Rondeaux; Sonia Pinto   |     |                                     |    |                                     |
| <b>Reviewed By: (Name, title and date)</b>  |     |                                     |    |                                     |
| N/A   |     |                                     |    |                                     |
| <b>Key Topics:</b>  |     |                                     |    |                                     |
| <ul style="list-style-type: none"> <li>• The impact of outsized budgets</li> <li>• Capacity and resourcing challenges for budgeted allocations</li> <li>• Link between budgeting, programming, implementation and ground realities</li> </ul> |     |                                     |    |                                     |

**Budget size**

The issue of budget numbers was raised very early in the interview. Budget proposals for reconstruction were thought to be significantly oversized and not reflective of the capacity to implement, execute and oversee projects. OMB consistently came up with budgets that were



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smaller than those provided by agencies. However, the push to signal political commitment resulted in favoring outsized and impractical budgets.

### **Disconnect between the analysis and final budget requests**

From early on there was a persistent disconnect between the analysis on programming and budgeting needs and the ultimate funding requests put forward by senior leadership. Across the NSC, OMB, USAID, and State, there was strong expertise in designing reasonable reconstruction plans. However, the strong push from Kabul Embassy leadership often resulted in over-stretching. For example, USAID analysts felt that they were not being heard when they highlighted a huge capacity gap. The scope and pace of projects became increasingly unreasonable as the organization struggled to catch up with staffing. The NSC also grappled with a similar disconnect. While many of the staff were 'as in the weeds' on budgeting issues as OMB analysts, the push to deliver the highest possible budget numbers would override conservative budget estimates. The refrain that drove the budgeting process was "We can't shortchange Afghanistan. It has to be as big as Iraq." The interviewee felt that even with ideal modeling which padded budgetary requirements, the numbers were much lower than the final budgets proposed. The modeling showed that it was possible to budget taking into consideration the various contingencies without reaching the levels of budgetary inflation that sensitivity to political optics produced.

### **The budgeting process: An initially unusual yet later normalized arrangement**

The budgeting for Afghanistan reconstruction was largely conducted through supplemental appropriation acts (supplementals). Supplementals were initially a flexible means of capturing resources outside the annual base budgets given the unique wartime circumstance. Over the years, supplementals became a normalized feature of the yearly budgeting process. In the first few years, the expectation that there would be at least one supplemental per year took hold. From FY2010 onward that inclusion of war spending within the annual Overseas Contingency Operation budget, which was released simultaneously with the base budget, further regularized the contingency budgeting processes. This change signaled the recognition that the operation in Afghanistan was an ongoing complex conflict that could be budgeting for less erratically. The process of moving from the early years of ad-hoc supplementals, which worked poorly, to the regularized OCO was beneficial. Overall, the issue of including a longer term perspective within the OCO was still lacking. The supplemental budgets are still driven by the 'go for it' attitude which acts as a disincentive to propose conservative budgets based on long-term program needs.

### **Planning and the budget cycle**

Disbursement mechanisms tended to lag behind budgeting, particularly in the early stages of programs. For example, once ESF funds were obligated, the first year was usually set aside to put disbursement mechanisms in place. Funds would then be sub-obligated (i.e. attached to specific implementation plans) in the second year. Sub-obligations are based on capacity to execute which was usually below the needs. When subsequent budgets were allocated to existing programs, the budgeting to disbursement time period was shorter as implementation mechanisms were in place. Newer programs tended to struggle with absorbing funds. The bigger the amount allocated to a program, the more difficult setting up the disbursement mechanisms, particularly in terms of staffing capacity and local absorption capacity. Budget allocations should reflect planning and capacity constraints. Every year budget for almost every sector would increase. In terms of



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implementation, relatively little was being achieved. Implementers couldn't catch up. As security costs increased, budgets increased even more, in some cases totaling to 50% of the program.

### Budgeting Analysis

The budgeting analysis often did not account for the feasibility of the program. For example, a \$50 million road would be modeled over a 5 year period instead of a 2 to 3 year period, significantly increasing the budget request.

In terms of incorporating feedback from the field, there were quick lessons learned in the early years that were not applied. The reasons fueling an ineffective feedback loop were unclear.

### Interagency Coordination

**State and DOD:** The Global Security Fund allowed DOD and State to work more closely on a resource basis. It was primarily helping DOD achieve their goals in the field. This handholding approach to collaboration is beneficial. Otherwise, it was difficult to get agencies to sit down together to make things work.

**NSC, OMB, Embassy:** Overtime, the NSC and OMB increased their discussions over program costing. The change was driven by the disconnect between disbursement and implementation levels and the budgets being requested by the Embassy. OMB and NSC conducted weekly meetings to review detailed disbursement numbers. These detailed discussions also led to the push for increasing capacity, in particular through the 1207 and 3161 authorities.

### Capacity

Understaffing was a perennial challenge in the reconstruction effort. The outsized budgets further exacerbated the issue by putting pressure on existing structures as well as pushing for rapid staffing. CSO and SCRS at State were created in part to remedy the capacity challenge but do not appear to have been successful. Another capacity related issue was the difficulty in finding non-governmental partners on the ground. In Afghanistan, the reluctance of NGOs to be associated with the military posed a serious resource challenge for the implementation of USAID programs.

### Recommendations

- Better messaging around the appropriations cycle. Commitment to Afghanistan was closely tied showing big budgets. The budgets did not reflect the poor capacity to implement the proposed programs and increased pressure on implementation structures and mechanisms. Messaging of commitment should be linked to how much capacity agencies had on the ground and not the appropriations cycle.
- Conducting an analysis of capacity and resourcing would be beneficial for future complex operations. Understand the authorities (i.e. 1207 or 3161) under which staff was hired under can shed light on the ways in which the system tried to cope with a capacity crisis. An analysis of staffing patterns and how new authorities were implemented is useful.

### Recommended to Interview:

(b)(3), (b)(6), (b)(7)(C)

[REDACTED]

[REDACTED]